

Updated: January, 2014

Effective immediately, the new Corporate Financial policy for Cost Adjustments across Safeway vendors will be as follows:

- Cost decreases will be accepted immediately in order to remain competitive in the marketplace
- In addition to commodity driven and other cost decreases, vendors should immediately pass on cost benefits from size and formula changes
- Cost increases will not be considered unless comprehensively supported and validated
 - At a minimum, cost increases will be required to show: date of previous price adjustment, key cost drivers and their percentage of overall product cost
- All submissions will trigger a comprehensive cost review conducted by our Consumer Demand, Finance, and Sourcing teams across the entire vendor's product portfolio
- Safeway requires 3 months notice within designated times, prior to effective date of cost increase:
 - All required documentation must be submitted at the time of notification
 - Cost increases will not be accepted during Q4
 - Specifically for 2013/2014: cost increase requests made between November 1st, 2013 and February 1st, 2014 will be considered at the end of Q1, 2014 – unless the vendor can provide evidence the increase is significantly impacting their business
- This policy excludes cost changes that are dictated by other written contractual agreements between a supplier and Safeway. It also excludes pre-identified bulk perishable based items whose costs fluctuate on a regular cycle (decreases AND increases). Packaged perishable items will typically NOT be excluded. All pre-identified items are determined by Safeway.
- Cost increases will undergo a joint review by Consumer Demand, Finance, and Sourcing:

